

**NEWELL-FONDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 16
Statement of Activities	B 17-18
Governmental Fund Financial Statements:	
Balance Sheet	C 19-20
Reconciliation of the Balance Sheet - Governmental Funds	
to the Statement of Net Assets	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22-23
Reconciliation of the Statement of Revenues, Expenditures and	
Changes in Fund Balances - Governmental Funds to the Statement	
of Activities	F 24
Proprietary Fund Financial Statements:	
Statement of Net Asset	G 25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 26
Statement of Cash Flows	I 27
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 28
Statement of Changes in Fiduciary Net Assets	K 29
Notes to Financial Statements	30-38
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and	
Changes in Balances - Budget and Actual - All Governmental Funds	
and Proprietary Fund	39
Note to Required Supplementary Information - Budgetary Reporting	40
Schedule of Funding Progress for the Retiree Health Plan	41
Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 42-43
Combining Schedule of Fiduciary Net Assets	2 44
Combining Schedule of Changes in Fiduciary Net Assets	3 45
Schedule of Revenues by Source and Expenditures by Function-	
All Governmental Funds	4 46
Independent Auditor's Report on Internal Control over Financial Reporting	
and on Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <u>Government Auditing Standards</u>	47-48
Schedule of Findings	49-51

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

Roger Sarchet	President	2011
Greg Baskerville	Vice President	2013
Gordon Grau		2013
Geoff Smith		2011
Kyle Scheidegger		2011

(After September 2011 Election)

Roger Sarchet	President	2015
Greg Baskerville	Vice President	2013
Gordon Grau		2013
Geoff Smith		2015
Kyle Scheidegger		2015

School Officials

Jeff Dicks	Superintendent
Marcia Johnson	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District, Newell, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Newell-Fonda Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2013 on our consideration of Newell-Fonda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

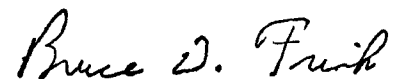
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

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bruce@frinkcpa.com

our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newell-Fonda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. general accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 25, 2013

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Newell-Fonda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,323,265 in fiscal year 2011 to \$4,768,757 in fiscal year 2012. Expenditures increased from \$4,267,023 in fiscal year 2011 to \$4,561,108 in fiscal year 2012.
- General Fund District tax rates increased from 9.93749 (per \$1000 taxable valuation) in fiscal year 2011 to 10.29185 in fiscal year 2012. The tax revenue went up due to increased property valuations. Several other factors also affected revenues. State Aid revenues were up, mainly due to a large enrollment increase in 2011. Open enrollment revenues also increased. Federal revenues were down, due to loss of AARA (EdJobs) funding.
- Expenditures increased, mainly due to salary and benefits increases. The addition of over two FTEs and a 4.96% salary package increase accounted for the change.
- The Management Fund revenues increased slightly from \$147,613 in fiscal year 2011 to \$157,419 in fiscal year 2012. Management expenditures also decreased from \$153,979 in fiscal year 2011 to \$117,181 in fiscal year 2012. In fiscal year 2012, there was a significant decrease in early retirement benefits paid out.
- Statewide sales, services and use tax revenues increased from \$306,230 in fiscal year 2011 to \$444,162 in fiscal year 2012. Actual statewide tax expenditures increased from \$253,198 in fiscal year 2011 to \$482,877 in fiscal year 2012. The increase in revenue was due to higher sales tax revenues. A construction project for a new weight room was completed in fiscal year 2012, with most construction costs being paid in fiscal year 2012. While \$92,000 of this project was paid for out of the trust fund with specifically designated funds, the balance was mostly paid from the Sales Tax Fund. The 1:1 laptop lease payments were run through the Sales Tax Fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.
- PPEL revenues remained fairly steady from \$158,394 in fiscal year 2011 to \$160,013 in fiscal year 2012. Expenditures decreased from \$381,617 in fiscal year 2011 to \$183,965 in fiscal year 2012. As mentioned earlier, a good portion of the weight room construction costs were paid out of the Sales Tax Fund in fiscal year 2012, and most of the regular physical plant expenditures were paid with PPEL funds in order to maintain cash balances in both PPEL and Sale Tax funds. A bus was also purchased with PPEL funds. Expenditures decreased since the PPEL fund had paid some construction costs in fiscal year 2011 and did not have those large construction expenditures in fiscal year 2012.
- The Capital Projects Fund was established in fiscal year 2012 for upcoming construction and facility improvements. There were no revenues for this fund in fiscal year 2012. There were expenditures for preconstruction costs totaling \$79,075.41. These expenses were paid out of the General Fund and will be reimbursed from the bond proceeds in fiscal year 2013.

- The Nutrition Fund revenues increased, with revenues of \$237,326 in fiscal year 2011 to \$254,521 in fiscal year 2012. Expenditures increased from \$212,016 in fiscal year 2011 to \$277,640 in fiscal year 2012. An increase in meal prices and increased federal and state reimbursements due to a higher free and reduced price meal count were responsible for the increased revenues. Expenditures increased significantly due to several factors, including the purchase of a new dishwasher and a stove, a significant increase in salary and benefit costs, increased grocery prices, and the addition of a daily afternoon fruit program, which cost approximately \$50.00/day to operate. These combined cost increases has resulted in close to a \$23,000 reduction in the food service balance.
- The Internal Services Fund was established at the end of fiscal year 2011 as the District was setting up a new partially self-funded insurance program to start July 1, 2012. This was done to save costs of health insurance. Internal Services Fund revenues increased from \$30,666 in fiscal year 2011 to \$238,298 in fiscal year 2012. Expenditures increased from \$614 in fiscal year 2011 to \$237,028 in fiscal year 2012. The revenues in 2011 were from the July and August 2011 payrolls that were paid in June. The expenditures in 2011 were set up costs paid to a third party administrator. During fiscal year 2012, the fund balance accumulated \$31,320 of savings that can be used for reimbursements to employees who incur expenses above the District provided benefit plan.
- Activity Fund receipts increased from \$219,726 in fiscal year 2011 to \$235,317 in fiscal year 2012. Expenditures decreased from \$234,111 in fiscal year 2011 to \$216,223 in fiscal year 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Newell-Fonda Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Newell-Fonda Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Newell-Fonda Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the Student Activity and fiduciary funds and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Newell-Fonda Community School District Annual Financial Report

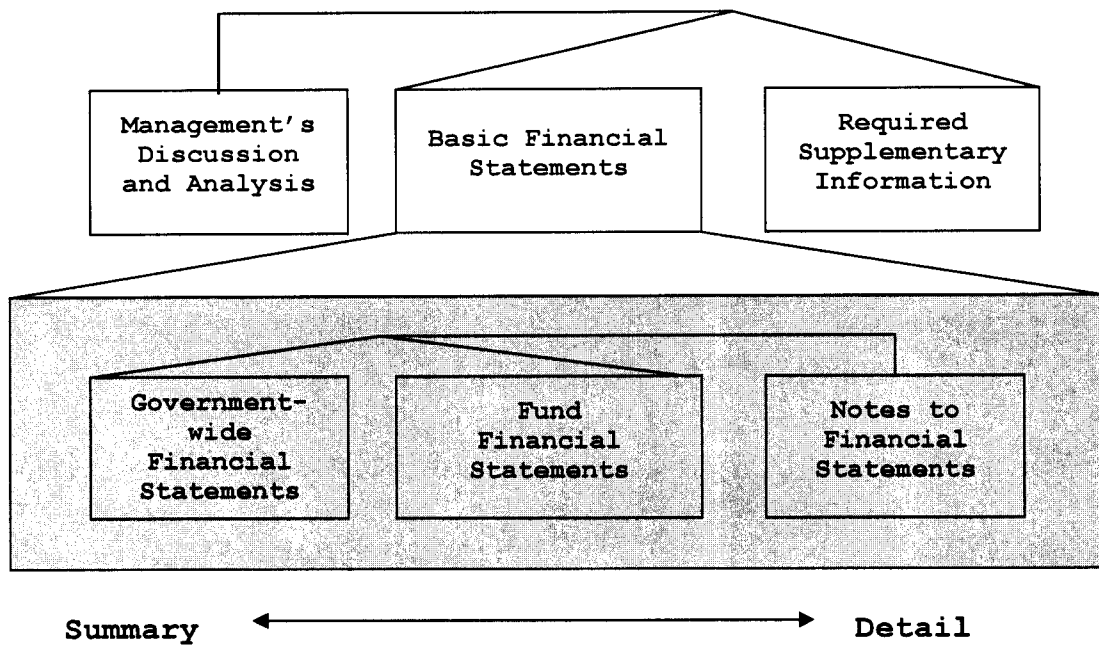


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all governmental and proprietary funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

<p align="center">Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	\$ 4,360	3,509	51	73	4,411	3,582	23.14%
Capital assets	2,725	2,194	2	2	2,727	2,196	24.18%
Total assets	<u>7,085</u>	<u>5,703</u>	<u>53</u>	<u>75</u>	<u>7,138</u>	<u>5,778</u>	<u>23.54%</u>
Current liabilities	2,825	2,272	-	-	2,825	2,272	24.34%
Non-current liabilities	386	239	-	-	386	239	0.00%
Total liabilities	<u>3,211</u>	<u>2,511</u>	<u>-</u>	<u>-</u>	<u>3,211</u>	<u>2,511</u>	<u>27.88%</u>
Net Assets							
Invested in capital assets, net of related debt	2,373	2,052	2	2	2,375	2,054	15.63%
Restricted	463	552	-	-	463	552	-16.12%
Unrestricted	1,038	588	51	73	1,089	661	64.75%
Total net assets	<u>\$ 3,874</u>	<u>3,192</u>	<u>53</u>	<u>75</u>	<u>3,927</u>	<u>3,267</u>	<u>20.20%</u>

The District's combined net assets increased 20%, from the prior year. This increase was due primarily to an increase in the Capital Projects Fund and fixed asset purchases.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased by 64%. This increase in unrestricted net assets was primarily a result of an increase in the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4						
Changes in Net Assets						
(Expressed in Thousands)						
Governmental Activities		Business Type Activities		Total District		Total Change
2012	2011	2012	2011	2012	2011	2011-2012
\$ 193	147	105	111	298	258	15.50%
1,180	1,188	149	126	1,329	1,314	1.14%
2,142	1,886	-	-	2,142	1,886	13.57%
113	164	-	-	113	164	-31.10%
351	305	-	-	351	305	15.08%
1,659	1,382	-	-	1,659	1,382	20.04%
13	13	1	-	14	13	7.69%
95	106	-	-	95	106	-10.38%
<u>5,746</u>	<u>5,191</u>	<u>255</u>	<u>237</u>	<u>6,001</u>	<u>5,428</u>	<u>10.56%</u>
3,339	3,143	-	-	3,339	3,143	6.24%
1,525	1,362	-	-	1,525	1,362	11.97%
-	-	278	212	278	212	31.13%
392	222	-	-	392	222	76.58%
<u>5,256</u>	<u>4,727</u>	<u>278</u>	<u>212</u>	<u>5,534</u>	<u>4,939</u>	<u>12.05%</u>
\$ 490	464	(23)	25	467	489	95.50%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 88% of the total expenses. The District continues to spend the majority of its resources in those areas most directly affecting the students.

Governmental Activities

Revenues for governmental activities were \$5,746,681 and expenses were \$5,255,911 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 3,339	3,143	6.24%	2,244	2,005	11.92%
Support services	1,525	1,362	11.97%	1,512	1,344	12.50%
Other expenses	392	222	76.58%	127	43	195.35%
Totals	<u>\$ 5,256</u>	<u>4,727</u>	<u>11.19%</u>	<u>3,883</u>	<u>3,392</u>	<u>14.48%</u>

For the year ending June 30, 2012:

- The cost financed by users of the District's programs was \$193,138.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$626,405.
- The net cost of governmental activities was financed with \$2,141,991 in property and other taxes and \$1,659,097 in unrestricted state grants.

Business Type Activities

Revenues for School Nutrition were \$254,521 and expenses were \$277,640. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District once again increased meal prices from the previous year to assist the food services program in maintaining high quality services to school students while taking on additional costs for groceries and supplies. There was also an increase in federal revenues which contributed to the increase in revenues in fiscal year 2011. Grocery costs increased, but consolidating into one facility resulted in more efficient operations, keeping overall costs of food service operation steady from fiscal year 2010 to fiscal year 2011.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Newell-Fonda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,375,072, a 10% increase from last year's ending fund balances of \$1,249,800.

Governmental Fund Highlights

- General Fund revenues increased from \$4,323,265 in fiscal year 2011 to \$4,768,757 in fiscal year 2012. Expenditures increased from \$4,267,023 in fiscal year 2011 to \$4,561,108 in fiscal year 2012.
- General Fund District tax rates increased from 9.93749 (per \$1000 taxable valuation) in fiscal year 2011 to 10.29185 in fiscal year 2012. The tax revenue went up due to increased property valuations. Several other factors also affected revenues. State Aid revenues were up, mainly due to a large enrollment increase in 2011. Open enrollment revenues also increased. Federal revenues were down, due to loss of ARRA (EdJobs) funding.
- Expenditures increased, mainly due to salary and benefits increases. The addition of over two FTEs and a 4.96% salary package increase accounted for the change.
- The Management Fund revenues increased slightly from \$147,613 in fiscal year 2011 to \$157,419 in fiscal year 2012. Management expenditures also decreased from \$153,979 in fiscal year 2011 to \$117,181 in fiscal year 2012. In fiscal year 2012, there was a significant decrease in early retirement benefits paid out.
- Statewide sales, services and use tax revenues increased from \$306,230 in fiscal year 2011 to \$444,162 in fiscal year 2012. Actual statewide tax expenditures increased from \$253,198 in fiscal year 2011 to \$482,877 in fiscal year 2012. The increase in revenue was due to higher sales tax revenues. A construction project for a new weight room was completed in fiscal year 2012, with most construction costs being paid in fiscal year 2012. While \$92,000 of this project was paid for out of the trust fund with specifically designated funds, the balance was mostly paid from the Sales Tax Fund. The 1:1 laptop lease payments were run through the Sales Tax Fund, but these payments were reported in the debt services fund, and therefore are not included in the total statewide tax expenditures.
- PPEL revenues remained fairly steady from \$158,394 in fiscal year 2011 to \$160,013 in fiscal year 2012. Expenditures decreased from \$381,617 in fiscal year 2011 to \$183,965 in fiscal year 2012. As mentioned earlier, a good portion of the weight room construction costs were paid out of the Sales Tax Fund in fiscal year 2012, and most of the regular physical plant expenditures were paid with PPEL funds in order to maintain cash balances in both PPEL and Sale Tax funds. A bus was also purchased with PPEL funds. Expenditures decreased since the PPEL fund had paid some construction costs in fiscal year 2011 and did not have those large construction expenditures in fiscal year 2012.
- The Capital Projects Fund was established in fiscal year 2012 for upcoming construction and facility improvements. There were no revenues for this fund in fiscal year 2012. There were expenditures for preconstruction costs totaling \$79,075.41. These expenses were paid out of the General Fund and will be reimbursed from the bond proceeds in fiscal year 2013.
- Activity Fund receipts increased from \$219,726 in fiscal year 2011 to \$235,317 in fiscal year 2012. Expenditures decreased from \$234,111 in fiscal year 2011 to \$216,223 in fiscal year 2012.

Proprietary Fund Highlights

- The Nutrition Fund revenues increased, with revenues of \$237,326 in fiscal year 2011 to \$264,521 in fiscal year 2012. Expenditures increased from \$212,016 in fiscal year 2011 to \$295,688 in fiscal year 2012. An increase in meal prices and increased federal and state reimbursements due to a higher free and reduced price meal count were responsible for the increased revenues. Expenditures increased significantly due to several factors, including the purchase of a new dishwasher and a stove, a significant increase in salary and benefit costs, increased grocery prices, and the addition of a daily afternoon fruit program, which cost approximately \$50.00/day to operate. These combined cost increases has resulted in close to a \$23,000 reduction in the food service balance.

- The Internal Services Fund was established at the end of fiscal year 2011 as the District was setting up a new partially self-funded insurance program to start July 1, 2012. This was done to save costs of health insurance. Internal Services Fund revenues increased from \$30,666 in fiscal year 2011 to \$238,298 in fiscal year 2012. Expenditures increased from \$614 in fiscal year 2011 to \$237,028 in fiscal year 2012. The revenues in 2011 were from the July and August 2011 payrolls that were paid in June. The expenditures in 2011 were set up costs paid to a third party administrator. During fiscal year 2012, the fund balance accumulated \$31,320 of savings that can be used for reimbursements to employees who incur expenses above the District provided benefit plan.

BUDGETARY HIGHLIGHTS

The District's receipts were \$117,360 greater than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving less state aid than anticipated for the third consecutive year; however, additional local source revenues compensated for this.

Total expenditures were \$886,834 less than budgeted overall. Expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed its unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$2,726,380, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$530,393 from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$251,588.

The original cost of the District's capital assets was \$4,808,435. Governmental funds account for \$4,782,922, with the remainder of \$25,513 accounted for in the Proprietary School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 2	2	-	-	2	2	0.00%
Buildings	1,881	1,564	-	-	1,881	1,564	20.27%
Furniture and equipment	311	393	2	3	313	396	-20.96%
Totals	<u>\$ 2,194</u>	<u>1,959</u>	<u>2</u>	<u>3</u>	<u>2,196</u>	<u>1,962</u>	<u>11.93%</u>

Long-Term Debt

The District entered into a lease for \$276,208 for the purchase of laptop computers. This will be paid in ten semi-annual payments beginning in FY13. In 2010, the District purchased additional laptops that will require eight semi-annual payments of \$20,000 each. There are two payments remaining as of June 30, 2012 on the 2010 lease.

In July 2012, the District issued \$7.5 million of general obligation bonds for infrastructure projects.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The long-term facility planning committee assessed the needs for possible future construction of new facilities to replace aging buildings and to create more usable space for educational and extracurricular activities. Based upon the committee recommendations, a \$7.5 million bond referendum was passed by voters in April 2012. In fiscal year years 2013-2015, a two phase construction project will be completed. All construction related expenses and existing facility improvements will be paid from the bond proceeds over the next three years. This allow certain expenditures previously paid from PPEL and Sales Tax funds to be paid from the bond, and fund balances should increase in PPEL and Sales Tax funds in fiscal years 2013 and 2014.
- The Don Anderson Trust was set up 12 years ago to provide scholarships for ten years with the interest generated from the trust. After the ten years, the principal was to be distributed equally between the athletic, art, music and speech programs. A committee has been set up to make recommendations for expenditures from this trust fund. In 2012, the first disbursements were made from the trust fund. The athletic portion of \$92,000 was used to help fund weight room construction in fiscal year 2012. The music department also accessed \$19,003.77 of their portion for equipment. In the future, Don Anderson committee will continue to explore uses of the money to benefit the music, art and speech departments.
- In fiscal year 2013 the increase in technology at the school will dictate the need for the addition of a full time technology integrationist. The middle school has been tagged as a School In Need of Assistance (SINA), and a middle school interventionist will be hired for part of fiscal year 2013 to provide additional assistance in the SINA plan. Increased enrollment in the elementary grades will require that we retain a teacher for fiscal year 2013 that was hired through Ed Jobs funding in 2012. Looking two years ahead, if enrollment remains steady another elementary teacher will be hired in fiscal year 2014.
- Enrollment numbers increase slightly from 2010-11 to 2011-12, so funding for fiscal year 2013 will increase slightly. The District is hopeful the trend of increased enrollment will continue. As enrollment numbers increase, our student demographics are changing, and staff needs for ELL, Dropout Prevention, technology and special education services will remain at a higher level than in previous years. These staffing needs, in addition to the middle school SINA status will cause salary and benefit cost to increase. While staffing changes will increases expenditures, it is a necessary change in order to provide valuable services to our students.
- In fiscal 2012, the first 1:1 Apple laptop lease was paid off. The District entered into a new lease purchase agreement for another 205 Macbooks to refresh the inventory. Older laptop computers will be place on carts in the elementary grades for continued use. In fiscal year 2012 the new lease purchase payments will begin. There are many educational benefits of the 1:1 laptop program, and the District plans to continue this program and expend the use of technology from year to year.
- Tax valuations have increased, and further increases are anticipated as wind generators expand in our area. This trend should continue for the next several years in a staggered fashion. The windmills are represented in three different expansion projects, and their assessed value increase 5% per year until they reach 30% taxable valuation. This is a positive, long-term increase to our tax base.
- The levy for our voted PPEL has decreased as valuations have increased. The District's voted PPEL is a flat amount of \$100,000. As valuations increase, the amount the District is able to tax will continue to decrease. The voted PPEL levy expires in fiscal year 2014.

- In fiscal year 2012 the State's allowable growth rate was set by the legislature at 0%. The allowable growth for fiscal year 2013 has been set at 2%. As the District looks ahead to the future, there will continue to be an increased cost in IPERS due to rate increases. There is uncertainty in the state budget which makes accurate predictions for the future somewhat difficult. The District will strive to adjust as new budget numbers are known.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marcia Johnson, District Secretary/Treasurer, Newell-Fonda Community School District, 205 Clark Street, Newell, Iowa 50568.

Basic Financial Statements

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,458,078	47,586	1,505,664
Receivables:			
Property tax:			
Current year	22,552	-	22,552
Succeeding year	2,620,800	-	2,620,800
Income surtax	128,330	-	128,330
Due from other governments	127,347	-	127,347
Other receivables	2,654	101	2,755
Inventories	-	2,685	2,685
Capital assets, nondepreciable	10,507	-	10,507
Capital assets, net of accumulated depreciation	2,714,379	1,494	2,715,873
Total assets	<u>7,084,647</u>	<u>51,866</u>	<u>7,136,513</u>
Liabilities			
Accounts payable	204,238	-	204,238
Deferred revenue:			
Succeeding year property tax	2,620,800	-	2,620,800
Long-term liabilities:			
Portion due within one year:			
Early retirement	18,490	-	18,490
Capital lease	89,697	-	89,697
Portion due after one year:			
Early retirement	15,812	-	15,812
Capital lease	261,769	-	261,769
Total liabilities	<u>3,210,806</u>	<u>-</u>	<u>3,210,806</u>
Net assets			
Invested in capital assets	2,373,420	1,494	2,374,914
Restricted for:			
Health benefits	31,321	-	31,321
Categorical funding	244,439	-	244,439
Student activities	110,631	-	110,631
Management levy purposes	61,338	-	61,338
Physical plant and equipment	30,552	-	30,552
Unrestricted	1,022,140	50,372	1,072,512
Total net assets	<u>\$ 3,873,841</u>	<u>51,866</u>	<u>3,925,707</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Operating Grants, Contributions and Restricted Interest			Governmental Activities	Business Type Activities	Total
Expenses	Charges for Service					
\$ 3,338,855	193,138	901,586		(2,244,131)	-	(2,244,131)
104,155	-	-		(104,155)	-	(104,155)
300,017	-	-		(300,017)	-	(300,017)
528,889	-	-		(528,889)	-	(528,889)
308,192	-	13,226		(294,966)	-	(294,966)
284,280	-	-		(284,280)	-	(284,280)
1,525,533	-	13,226		(1,512,307)	-	(1,512,307)
172,010	-	172,010		-	-	-
5,719	-	-		(5,719)	-	(5,719)
152,238	-	92,698		(59,540)	-	(59,540)
61,556	-	-		(61,556)	-	(61,556)
391,523	-	264,708		(126,815)	-	(126,815)
5,255,911	193,138	1,179,520		(3,883,253)	-	(3,883,253)

Functions/Programs:

Governmental activities:

Instruction

Support services:

Student services
Instructional staff services
Administration services
Operation and maintenance of plant services
Transportation services

Other expenditures:

AEA flowthrough
Interest on long-term debt
Facilities acquisition and construction
Depreciation (unallocated)*

Total governmental activities

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Construction Projects	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy			
Assets									
Cash and pooled investments	\$ 1,188,375	110,631	95,758	-	3,421	28,572	-	-	1,426,757
Receivables:									
Property tax:									
Current year	18,494	-	2,078	-	-	1,980	-	-	22,552
Succeeding year	1,803,849	-	163,500	-	-	152,482	500,969	2,620,800	
Income surtax	128,330	-	-	-	-	-	-	-	128,330
Due from other governments	67,126	-	-	-	60,221	-	-	-	127,347
Other receivables	2,619	-	-	35	-	-	-	-	2,654
Total assets	\$ 3,208,793	110,631	261,336	35	63,642	183,034	500,969	4,328,440	

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue			Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Construction Projects	Statewide Sales Use Tax	Property Plant and Equipment Levy			
Liabilities and Fund Balance									
Liabilities:									
Accounts payable	\$ 122,967	-	2,196	79,075	-	-	-	-	204,238
Deferred revenue:									
Succeeding year property tax	1,803,849	-	163,500	-	-	152,482	500,969	2,620,800	
Succeeding year income surtax	128,330	-	-	-	-	-	-	128,330	
Total liabilities	2,055,146	-	165,696	79,075	-	152,482	500,969	2,953,368	
Fund balances:									
Restricted for:									
Categorical funding	244,439	-	-	-	-	-	-	244,439	
Student activities	-	110,631	-	-	-	-	-	110,631	
Management levy	-	-	95,640	-	-	-	-	95,640	
School infrastructure	-	-	-	(79,040)	63,642	-	-	(15,398)	
Physical plant and equipment levy	-	-	-	-	-	30,552	-	30,552	
Unassigned	909,208	-	-	-	-	-	-	909,208	
Total fund balances	1,153,647	110,631	95,640	(79,040)	63,642	30,552	-	1,375,072	
Total liabilities and fund balances	\$ 3,208,793	110,631	261,336	35	63,642	183,034	500,969	4,328,440	

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2012

Total fund balances of governmental funds (Exhibit C)		\$ 1,375,072
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Income surtax receivable at June 30, 2012 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		128,330
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,724,886
Internal Service fund assets that are to be included with governmental funds.		31,321
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement	\$ (34,302)	
Capital lease	<u>(351,466)</u>	<u>(385,768)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 3,873,841</u></u>

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue			Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Construction Project	Statewide Sales Use Tax	Property Plant and Equipment Levy			
Revenues:									
Local sources:									
Local tax	\$ 1,969,727	-	146,916	-	351,499	157,290	-	-	2,625,432
Tuition	193,138	-	-	-	-	-	-	-	193,138
Other	148,513	235,317	10,439	35	92,663	2,654	-	-	489,621
State sources	2,246,638	-	64	-	-	69	-	-	2,246,771
Federal sources	210,741	-	-	-	-	-	-	-	210,741
Total revenues	4,768,757	235,317	157,419	35	444,162	160,013	-	-	5,765,703
Expenditures:									
Current:									
Instruction	3,129,736	216,224	50,075	-	294,943	11,270	-	-	3,702,248
Support services:									
Student services	104,155	-	-	-	-	-	-	-	104,155
Instructional staff services	148,657	-	-	-	1,500	-	-	-	150,157
Administration services	501,171	-	22,023	-	3,417	2,278	-	-	528,889
Operation and maintenance of plant services	273,531	-	32,561	-	-	2,100	-	-	308,192
Transportation services	231,849	-	12,522	-	-	89,999	-	-	334,370
	1,259,363	-	67,106	-	4,917	94,377	-	-	1,425,763
Other expenditures:									
AEA flowthrough	172,010	-	-	-	-	-	-	-	172,010
Long term debt:									
Principal	-	-	-	-	-	-	66,539	66,539	66,539
Interest	-	-	-	-	-	-	5,719	5,719	5,719
Facilities acquisition and construction	-	-	-	79,075	386,967	78,318	-	-	544,360
	172,010	-	-	79,075	386,967	78,318	72,258	72,258	788,628
Total expenditures	4,561,109	216,224	117,181	79,075	686,827	183,965	72,258	72,258	5,916,639

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2012

	Special Revenue		Capital Projects				Debt Service	Total
	General	Student Activity	Management Levy	Construction Projects	Statewide Sales Services and Use Tax	Property Plant and Equipment Levy		
Excess (deficiency) of revenues over (under) expenditures	207,648	19,093	40,238	(79,040)	(242,665)	(23,952)	(72,258)	(150,936)
Other financing sources(uses):								
Proceeds of capital lease	-	-	-	-	276,208	-	-	276,208
Operating transfers in	-	-	-	-	-	-	72,258	72,258
Operating transfers (out)	-	-	-	-	(72,258)	-	-	(72,258)
	-	-	-	-	203,950	-	72,258	276,208
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	207,648	19,093	40,238	(79,040)	(38,715)	(23,952)	-	125,272
Fund balances beginning of year	945,999	91,538	55,402	-	102,357	54,504	-	1,249,800
Fund balances end of year	\$ 1,153,647	110,631	95,640	(79,040)	63,642	30,552	-	1,375,072

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2012

Net change in fund balances - total governmental funds (Exhibit E)	\$ 125,272
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities this represents the change from the prior fiscal year.	(19,022)
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Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.	1,269
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 781,981	
Depreciation expense	<u>(251,325)</u>	530,656

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

New lease commitments	(276,208)	
Lease payments	<u>66,539</u>	(209,669)

Early retirement expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>62,264</u>
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Change in net assets of governmental activities (Exhibit B)	<u>\$ 490,770</u>
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NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2012

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 47,586	31,321
Other receivables	101	-
Inventories	2,685	-
Capital assets, net of accumulated depreciation	1,494	-
Total assets	<u>51,866</u>	<u>31,321</u>
Net Assets		
Invested in capital assets, net of related debt	1,494	-
Restricted for health benefits	-	31,321
Unrestricted	<u>50,372</u>	<u>-</u>
Total net assets	<u>\$ 51,866</u>	<u>31,321</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2012

	Business Type School Nutrition	Governmental Activities Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 105,261	238,288
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	96,589	-
Benefits	15,086	-
Services	2,899	-
Supplies	162,803	-
Depreciation	263	-
	277,640	-
Internal service programs:		
Benefits	-	237,029
Total operating expenses	277,640	237,029
Operating income (loss)	(172,379)	1,259
Non-operating revenues:		
Local sources	565	10
State sources	2,676	-
Federal sources	146,019	-
	149,260	10
Net change in fund net assets	(23,119)	1,269
Net assets beginning of year	74,985	30,052
Net assets end of year	\$ 51,866	31,321

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Business Type School Nutrition	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 105,160	238,288
Cash payments to employees for services	(111,675)	(237,029)
Cash payments to suppliers for goods or services	(152,819)	-
Net cash provided by (used in) operating activities	(159,334)	1,259
Cash flows from non-capital financing activities:		
State grants received	2,676	-
Federal grants received	133,136	-
Net cash provided by non-capital financing activities	135,812	-
Cash flows from capital financing activities:		
Interest on investments	565	10
Net (decrease) in cash and cash equivalents	(22,957)	1,269
Cash and cash equivalents beginning of year	70,543	30,052
Cash and cash equivalents end of year	\$ 47,586	31,321
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (172,379)	1,259
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:		
Depreciation	263	-
Commodities used	12,883	-
(Increase) in other receivables	(101)	-
	\$ (159,334)	1,259

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received federal commodities valued at \$12,883.

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose <u>Trust Funds</u>
Assets	
Cash	\$ <u>434,230</u>
Total assets	<u>434,230</u>
Net assets	
Reserved for scholarships	\$ <u><u>434,230</u></u>

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Miscellaneous	\$ 164,020
Total additions	<u>164,020</u>
Deductions:	
Support services:	
Designated giving	<u>118,830</u>
Total deductions	<u>118,830</u>
Change in net assets	45,190
Net assets beginning of year	<u>389,040</u>
Net assets end of year	<u>\$ 434,230</u>

See notes to financial statements.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Newell-Fonda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Newell and Fonda, Iowa, and agricultural area in Buena Vista, Sac, Pocahontas and Calhoun Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Newell-Fonda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Newell-Fonda Community School District has no active component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Pocahontas Counties Assessor Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues. The District has elected to treat all funds as major funds for clarity of presentation.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all governmental and proprietary funds as major funds for clarity of presentation

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extracurricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy, is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The Capital Projects, Construction Fund is being used to account for the revenues and expenses associated with the new building project.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. The District had no intangible assets meeting the capitalization threshold.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangible assets	50,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2012.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2012.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,000	-	-	2,000
Construction in progress	-	8,507	-	8,507
	<u>2,000</u>	<u>8,507</u>	<u>-</u>	<u>10,507</u>
Capital assets being depreciated:				
Buildings	2,779,965	383,615	-	3,163,580
Furniture and Equipment	1,218,976	389,859	-	1,608,835
Total capital assets being depreciated	<u>3,998,941</u>	<u>773,474</u>	<u>-</u>	<u>4,772,415</u>
Less accumulated depreciation for:				
Buildings	899,141	56,452	-	955,593
Furniture and Equipment	907,570	194,873	-	1,102,443
Total accumulated depreciation	<u>1,806,711</u>	<u>251,325</u>	<u>-</u>	<u>2,058,036</u>
Total capital assets being depreciated, net	<u>2,192,230</u>	<u>522,149</u>	<u>-</u>	<u>2,714,379</u>
Governmental activities, capital assets, net	<u>\$ 2,194,230</u>	<u>530,656</u>	<u>-</u>	<u>2,724,886</u>
Business type activities:				
Furniture and equipment	\$ 25,513	-	-	25,513
Less accumulated depreciation	23,756	263	-	24,019
Business type activities capital assets, net	<u>\$ 1,757</u>	<u>(263)</u>	<u>-</u>	<u>1,494</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instructional support				\$ 149,860
Transportation services				39,909
Unallocated				61,556
				<u>\$ 251,325</u>
Business type activities:				
Food service operations				<u>\$ 263</u>

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$229,222, \$180,599 and \$188,645 respectively, equal to the required contributions for each year.

(5) Risk Management

Newell-Fonda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$172,010 for year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive is equal to the difference between the employee's base salaries calculated by using the current year regular salary schedule less the beginning base salary using the same schedule. Early retirement benefits paid during the year ended June 30, 2012 totaled \$62,264.

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Lease Payable	\$141,797	276,208	66,539	351,466	89,697
Early Retirement	<u>96,566</u>	<u>-</u>	<u>62,264</u>	<u>34,302</u>	<u>18,490</u>
Total	<u>\$238,363</u>	<u>276,208</u>	<u>128,803</u>	<u>385,768</u>	<u>108,187</u>

In fiscal year 2012, the District entered into a five year lease purchase with Apple Inc. for the acquisition of 165 laptop computers. Payments of \$32,257.93 are made every six months. In fiscal year 2010, the District entered into a four year lease purchase with Apple Inc. for the acquisition of laptop computers. Payments of \$20,000 semiannually are required.

Details at June 30, 2012 are as follows:

Year Ending June 30,	2012 Lease			2010 Lease			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2013	3.253%	\$ 52,993	6,972	4.98%	\$36,704	3,296	40,000
2014	3.253	53,133	6,832	4.98	38,554	1,446	40,000
2015	3.253	54,875	5,090	-	-	-	-
2016	3.253	56,675	3,290	-	-	-	-
2017	3.253	<u>58,532</u>	<u>1,433</u>	-	-	-	-
Total		<u>\$276,208</u>	<u>23,617</u>		<u>\$75,258</u>	<u>4,742</u>	<u>80,000</u>

(9) Component Unit

The Newell-Fonda Educational Foundation was formed during 2009. Financial activities of the Foundation will be included in future reports as money begins to be collected and spent.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 75 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 40,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	40,000
Contributions made	(40,000)
Increase in net OPEB obligation	-
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	\$ -

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$40,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$40,000	100.00%	\$ -
June 30, 2011	40,000	100.00	-
June 30, 2012	40,000	100.00	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$434,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$434,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,821,000 and the ratio of the UAAL to covered payroll was 15.4%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is to reduce 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed using table 1 in GASB 45 paragraph 35(b).

Projected claim costs of the medical plan are \$773 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Subsequent Event

In July 2012, the District issued \$7,500,000 of general obligation bonds to be used for the construction of an addition to and remodeling of the Newell building.

(12) Financial Condition

The District's Capital Projects Construction Fund had a deficit fund balance of \$79,040 at June 30, 2012. This was a result of spending funds for a new construction project for which the bonds to fund the project were not issued until July 2012.

(13) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	<u>\$72,258</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,308,191	105,826	3,414,017	3,231,935	3,231,935	182,082
State sources	2,246,771	2,676	2,249,447	2,345,929	2,345,929	(96,482)
Federal sources	210,741	146,019	356,760	325,000	325,000	31,760
Total revenues	<u>5,765,703</u>	<u>254,521</u>	<u>6,020,224</u>	<u>5,902,864</u>	<u>5,902,864</u>	<u>117,360</u>
Expenditures/Expenses:						
Instruction	3,702,248	-	3,702,248	4,249,944	4,249,944	547,696
Support services	1,425,763	-	1,425,763	1,479,250	1,479,250	53,487
Non-instructional programs	-	277,640	277,640	398,400	398,400	120,760
Other expenditures	788,628	-	788,628	452,919	953,519	164,891
Total expenditures/expenses	<u>5,916,639</u>	<u>277,640</u>	<u>6,194,279</u>	<u>6,580,513</u>	<u>7,081,113</u>	<u>886,834</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(150,936)	(23,119)	(174,055)	(677,649)	(1,178,249)	1,004,194
Other financing sources (uses)	<u>276,208</u>	<u>-</u>	<u>276,208</u>	<u>110,852</u>	<u>110,852</u>	<u>165,356</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	125,272	(23,119)	102,153	(566,797)	(1,067,397)	1,169,550
Balance beginning of year	<u>1,249,800</u>	<u>74,985</u>	<u>1,324,785</u>	<u>1,117,894</u>	<u>1,117,894</u>	<u>206,891</u>
Balance end of year	<u>\$ 1,375,072</u>	<u>51,866</u>	<u>1,426,938</u>	<u>551,097</u>	<u>50,497</u>	<u>1,376,441</u>

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District amended the budget one time in May 2012. The budget for other expenditures was increased by \$501,000 to cover preliminary construction costs.

During the year ended June 30, 2012, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$0	\$434	\$434	100.0%	\$2,717	16.0%
2011	July 1, 2009	\$0	\$434	\$434	100.0%	\$2,792	15.5%
2012	July 1, 2009	\$0	\$434	\$434	100.0%	\$2,821	15.4%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Supplementary Information

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Basketball	6,404	7,833	7,080	7,157
Football	-	16,352	16,352	-
Baseball	-	4,228	4,228	-
Co-ed Track	-	2,013	2,013	-
Co-ed Golf	-	1,482	1,482	-
Girls Basketball	2,224	13,079	9,562	5,741
Volleyball	-	4,083	4,083	-
Softball	-	8,558	8,558	-
General Athletics	485	41,999	41,609	875
Cheerleaders	11,641	10,552	13,144	9,049
Drill Team	4,557	7,658	7,073	5,142
Tech Club	-	2,740	2,740	-
National Honor Society	2,192	5,123	4,124	3,191
All School Play	1,824	1,353	1,060	2,117
Speech	249	433	682	-
Foreign Language Club	478	-	-	478
MS TA - Nielsen	4,874	1,366	3,004	3,236
Student Council	6,409	6,886	6,762	6,533
FCCLA	1,372	3,006	2,633	1,745
FFA	4,669	21,900	19,127	7,442
MS School Play	27	-	27	-
After Prom	441	7,358	7,396	403
Girls Basketball Fund Raiser	6,486	3,294	3,049	6,731
Boys Basketball Fund Raiser	1,345	1,671	914	2,102
Football Fund Raiser	2,216	18,738	13,367	7,587
Baseball Fund Raiser	1,966	7,462	7,177	2,251
Volleyball Fund Raiser	644	2,351	1,960	1,035
Softball Fund Raiser	3,491	7,343	5,460	5,374
Boys Track Fund Raiser	152	90	-	242
Girls Track Fund Raiser	11	1,507	1,342	176
Boys Golf Fund Raiser	-	172	172	-
Girls Golf Fund Raiser	-	67	67	-
Class of 2012	1,523	100	1,526	97
Class of 2014	2,061	-	-	2,061
Class of 2015	-	5,538	3,087	2,451
Class of 2013	2,414	2,304	2,807	1,911
Art	1,138	1,834	1,934	1,038
Shop	1,132	-	-	1,132
Music Fundraiser	1,701	1,394	1,396	1,699
Choir Fundraiser	-	460	134	326
Music Resale	40	852	877	15
Elementary PTF Funds	4,510	1,713	2,115	4,108
Special Projects	569	5,797	2,476	3,890
State Basketball Tourney Expense	(773)	6,264	5,456	35

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Library	739	75	-	814
Postage	97	-	-	97
General Activity	108	1,014	622	500
Yearbook 11-12	-	9,520	8,375	1,145
Yearbook 10-11	1,505	465	1,970	-
Yearbook 12-13	-	892	15	877
Interest	10,617	471	1,260	9,828
	91,538	249,390	230,297	110,631
Less interaccount transfers		(14,073)	(14,073)	
Totals	91,538	235,317	216,224	110,631

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Fiduciary Net Assets

Year ended June 30, 2012

	Private Purpose Trust Funds			
	Cecil Rogers Scholarship	Keith Carter Scholarship	Don Anderson Trust	Total
Assets				
Cash	\$ 6,652	\$ 160,560	267,018	434,230
	<u>\$ 6,652</u>	<u>160,560</u>	<u>267,018</u>	<u>434,230</u>
Net Assets				
Reserved for scholarships	\$ 6,652	160,560	267,018	434,230
	<u>\$ 6,652</u>	<u>160,560</u>	<u>267,018</u>	<u>434,230</u>

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Changes in Fiduciary Net Assets

Year ended June 30, 2012

	Private Purpose Trust Funds				
	Cecil Rogers Scholarship	Keith Carter Scholarship	Helen Harris Scholarship	Don Anderson Trust	Total
Additions:					
Local sources:					
Interest income	\$ 81	-	-	1,379	1,460
Contributions	-	160,560	2,000	-	162,560
	81	160,560	2,000	1,379	164,020
Deductions:					
Support services:					
Designated giving	-	-	2,000	116,830	118,830
Change in net assets	81	160,560	-	(115,451)	45,190
Net assets beginning of year	6,571	-	-	382,469	389,040
Net assets end of year	\$ 6,652	160,560	-	267,018	434,230

See accompanying independent auditor's report.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 2,625,432	2,318,970	2,156,362	2,047,959	1,748,576	1,625,426	1,422,156	1,349,135	1,447,498
Tuition	193,138	146,700	118,116	101,302	107,348	77,647	67,130	69,206	75,455
Other	489,621	382,215	348,969	364,771	411,148	432,721	351,589	268,811	370,917
State sources	2,246,771	1,983,869	1,794,967	2,035,299	2,229,917	2,003,601	2,113,281	1,654,735	1,600,299
Federal sources	210,741	319,978	426,044	181,228	152,205	148,347	150,162	146,638	162,419
Total	<u>\$ 5,765,703</u>	<u>5,151,732</u>	<u>4,844,458</u>	<u>4,730,559</u>	<u>4,649,194</u>	<u>4,287,742</u>	<u>4,104,318</u>	<u>3,488,525</u>	<u>3,656,588</u>
Expenditures:									
Instruction	\$ 3,702,248	3,243,330	2,903,132	2,819,448	2,962,072	2,647,909	2,617,889	2,488,717	2,270,536
Support services:									
Student	104,155	116,236	90,417	83,268	96,602	71,298	74,057	71,142	90,776
Instructional staff	150,157	124,655	159,882	165,638	141,894	136,196	118,446	102,411	124,862
Administration	528,889	496,908	494,241	387,843	394,494	442,524	437,461	404,889	383,365
Operation and maintenance of plant	308,192	335,728	319,337	342,234	337,281	338,531	382,039	388,787	416,362
Transportation	334,370	237,733	276,333	250,916	216,805	229,711	275,661	268,411	181,539
Other expenditures:									
Facilities acquisition	544,360	320,419	1,540,756	175,241	89,479	57,465	30,629	8,071	6,252
Debt service:									
Principal	66,539	95,051	58,779	56,394	30,566	-	-	-	-
Interest	5,719	9,465	5,737	8,122	1,692	-	-	-	-
AEA flowthrough	172,010	177,753	175,916	162,268	160,842	153,999	151,340	135,465	138,167
Total	<u>\$ 5,916,639</u>	<u>5,157,278</u>	<u>6,024,530</u>	<u>4,451,372</u>	<u>4,431,727</u>	<u>4,077,633</u>	<u>4,087,522</u>	<u>3,867,893</u>	<u>3,611,859</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Newell-Fonda Community School District:

We have audited the accompanying financial statements of the governmental activities and each major fund of Newell-Fonda Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Newell-Fonda Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Newell-Fonda Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Newell-Fonda Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be significant deficiencies.

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bruce@frinkcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Newell-Fonda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Newell-Fonda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Newell-Fonda Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Newell-Fonda Community School District and other parties to whom Newell-Fonda Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Newell-Fonda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 25, 2013

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-12 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-12 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, did not exceed the amended certified budget amounts in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2012.
- II-B-12 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-H-12 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-I-12 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Financial Condition - We noted that the District's Capital Project Construction Fund had a deficit fund balance of \$79,040 at June 30, 2012.

Recommendation - We realize that the District has incurred expenditures in connection with a new construction project and bonds were issued in July 2012 to cover these costs.

Response - This is merely a timing issue as described in the recommendation.

Conclusion - Response accepted.

NEWELL-FONDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting: (continued)

II-M-12 Statewide sales, services and use tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted. Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$102,357
Revenues/transfers in:		
Proceeds of capital lease	\$276,208	
Sales tax revenues	351,499	
Other local revenues	<u>92,663</u>	<u>720,370</u>
		822,727
Expenditures/transfers out:		
School infrastructure construction	386,967	
Equipment	299,860	
Transfer out	<u>72,258</u>	<u>759,085</u>
Ending balance		<u>\$ 63,642</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.